

Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact:

Telephone Number:

Refer Reply To:

Date:

FEB 8 1991

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax as an organization described in Section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates you were incorporated on [REDACTED] under the [REDACTED].

Your stated purposes are: To provide for maintenance, perservation and architectural control of the residence lots and common area within that certain tract of property described as:

"Lots [REDACTED] through [REDACTED], section [REDACTED], and parcels [REDACTED], as the same is duly dedicated, plotted and recorded among the land records of [REDACTED]."

To promote the health, safety and welfare of only the residents within the above described property.

Your activities are meetings, assessments of membership dues, and to provide certain services for the operation and maintenance of common areas around the single family dwellings whose owners are members of the association.

Your income is primarily from the assessment of membership dues, and a one time payment of \$[REDACTED] from [REDACTED] for the use of the right of way on Route [REDACTED] for the installation of a gas line. Your expenses are for legal fees, licenses, postage, utilities, insurance, maintenance, picnics and meetings.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

In Revenue Ruling 74-99, 1974-1 C.B. page 131, the Service held that an organization formed to administer and enforce covenants for preserving the architecture and appearance of the given real estate to own and maintain common areas, streets and sidewalks, is not exempt as a social welfare organization. In denying exemption under Internal Revenue Code 501(c)(4), the Service viewed the organization as operating primarily and directly for the private benefit of its individual members rather than for the community as a whole.

Since your organization provides for the maintenance of the exterior of the residence lots and common areas, you are benefitting the individual owners rather than benefitting the community and you do not qualify under Section 501(c)(4).

Based on the information submitted, exempt status will not be recognized under any related paragraph of the Internal Revenue Code Section 501(c).

You are required to file Federal income tax return Form 1120.

Your attention is called to code section 528, which provides certain procedures by which qualifying homeowners associations may elect to be treated as a tax exempt organization. The enclosed Publication 588 describes the requirements for exemption under section 528.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

(signed) [REDACTED]

[REDACTED]
District Director

Enclosures: Publication 892
Publication 588